

LAKEHAVEN UTILITY DISTRICT
King County, Washington

REGULAR BUSINESS MEETING
October 26, 2006

A regular meeting of the Board of Commissioners of the Lakehaven Utility District, King County, Washington, was held on October 26, 2006 at Lakehaven Center, 31531 First Avenue South, Federal Way, Washington, 98003.

President Tweddle opened the meeting at 6:00 p.m. and asked Commissioner Stewart to lead in the flag salute. Members/officials present were as follows:

Beverly Tweddle	President of the Board
Don Miller	Vice President of the Board
Ron Nowicki	Secretary of the Board
Ed Stewart	Commissioner
Chuck Gibson	Commissioner
Don Perry	General Manager
Bert Ross	Engineering Manager
Steve Pritchett	General Counsel
Morgan Dennis	Director of Finance/Information System

APPROVAL OF MINUTES

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Nowicki, the Board, with Commissioners Gibson, Nowicki, Miller and Stewart voting in the affirmative and Commissioner Tweddle abstaining, **adopted** the minutes of the September 28, 2006 as submitted.

Upon motion of Commissioner Stewart, which was duly seconded by Commissioner Gibson, the Board, with Commissioners Stewart, Gibson, Tweddle and Stewart voting in the affirmative and Commissioner Miller abstaining, **adopted** the minutes of the October 12, 2006 Board meetings as presented.

APPROVAL OF AGENDA

Upon motion of Commissioner Miller, which was duly seconded by Commissioner Nowicki, the Board unanimously **approved** the evening's agenda as amended below:

1. Information Item #1, **Budget, Rates, Fees & Charges**; address this item immediately after the Consent Items.

CITIZENS COMMENTS

Commissioner Gibson stated that he had met with some ratepayers to discuss an odor problem near the Lakota Wastewater Treatment Plant and added that several of them had

expressed an interest in attending the meeting. As no one was there at this time, it was the consensus of the Board to continue the meeting; if someone comes later on, they will have an opportunity to provide their comments.

CONSENT ITEMS

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Miller, the Board unanimously **approved** Consent Items as presented below:

1. Accounts Payable Vouchers and Payroll Transactions with the warrant dates of 10/23/06 and 10/26/06.

Maintenance Fund No. 11-333-0510

10/26/06, voucher no. 6599, total amount of \$63,819.34;

Payroll – Fund #11-333-0503 10/23/06

Warrants:	\$926.85
Direct Deposits:	\$159,251.23
Benefit Warrants:	\$43,993.48
	(voucher nos. 6600-6614)
<u>Withholding/FICA</u>	<u>\$ 64,709.84</u>
Total Amount of:	\$ 268,881.40

2. Well 16M Decommissioning – Contract Change Order for Holt Drilling/Boart Longyear

INFORMATION ITEMS

#1, Budget, Rates, Fees & Charges: Mr. Dennis began the presentation by introducing Ed Cebron of Financial Consulting Solutions Group, who was retained to assist the Board in analyzing the current water rates. Mr. Cebron began by stating the purpose of the presentation was to determine how costs are assigned to the different user classes and review some options for the Board to consider. He then reviewed the methodology used to determine the cost of service. From the analysis, Mr. Cebron indicated that approximately 85% of the cost is allocated to the single family rate. He went on to state the next step was to review the rate design and he provided an overview of the utility revenue requirements. The need to maintain adequate reserves to provide infrastructure replacement has become very significant; as assets age, there is an accumulating liability to replace those assets. Mr. Cebron stated that, from a rate setting perspective, reinvesting in the system is a way to gauge the customer's fair share. He went on to provide a summary of water rate requirements, reviewed total revenues, expenses and debt service and the amount of increase to the water rates that would be required, according to his analysis. He added that alternatively, the District could adopt an annual relatively small inflationary increase and reach the projected level of reserves in approximately four years. A discussion followed relative to earmarking the surplus of revenues to be used to fund

replacement liability. Mr. Cebron noted he also reviewed sewer rates and determined that these rates were meeting the proper cost of service and revenue requirements; therefore, he was recommending these rates remain the same. He then went on to review the existing water rate structure, as well as discussing the inventory of fixed assets; supply and treatment, transmission and distribution, storage, pumping, meters and services and fire protection, most of which are related to the capacity to provide water. Subsequent to this discussion, Mr. Cebron stated that he concluded, along with staff, that there could be some adjustments made. He then reviewed what should happen in order to meet the suggested goal. Mr. Cebron indicated he was presenting two alternatives; the first included the net phased-in adjustment based on sample differential rate increases and the other included the net phased-in adjustment in the first year rate adjustment based on the combination of cost of service and revenue requirement results, phased in over a three year period. He then stated that the suggestions that he made are concepts only and the next step was to get direction from the Board. A discussion followed on the concept of a rate increase, should it be phased in or imposed all at the same time. Also discussed was the option of maintaining current rates. Mr. Dennis noted during the discussion that it was not necessary to adjust the rates all in one year in order to meet revenue requirements. If the suggested rates were implemented, the approximate increase would total approximately 44 cents per month. The discussion followed and some Board members indicated they didn't wish to see a large increase; however, they were interested in seeing actual costs. The discussion continued with the suggestion being made to allow the Board to study the information and then discuss it further at the next meeting. Subsequent to the discussion, it was the consensus of the Board to bring this item back to the next meeting for further discussion. Mr. Cebron was thanked for the analysis and information he provided.

It was noted that Commissioner Nowicki left the meeting at approximately 7:00 p.m. as he had another engagement.

#2, Reclaimed Water System – Draft EIS – Public Hearing 7:00 p.m.: As a public hearing was scheduled for 7:00 p.m., and it was now that time, President Tweddle recessed the regular meeting and called to order a Public Hearing for the purpose of hearing comments from the public relevant to the draft Environmental Impact Statement (EIS) for the Reclaimed Water System. Hearing no testimony, the public hearing was then closed and the regular meeting was reconvened. Mr. Bowman introduced Jim Mahady with Carollo Engineering and Molly Adolfson with ESA Adolfson, Inc. who were in attendance to provide the Board with an update of the work that has been completed on this project over the last few years. This is a Title 16 Project that was approved by Congress and looks at a long-term water planning horizon. It was noted that the Bureau of Reclamation had been interested in contributing towards this type of project; however, their focus is now moving towards desalination projects. The draft EIS was prepared consistent with the Washington State Environmental Policy Act (SEPA). During this process a number of objectives were considered that included the following: replenishing local aquifers to maintain water levels; reduce wastewater effluent disposal to Puget Sound, deliver reclaimed water resources in the upland watershed to help sustain the hydrology in local rivers and streams; regionally reduce the need for surface water withdrawals for potable water use and

recharge the Redondo Milton Channel aquifer to alleviate the impacts of the OASIS project. A listing of uses for reclaimed water was then reviewed, and the one showing the most possibilities is the surface/subsurface percolation recharge concept. A number of benefits for the recharge were then discussed. It was noted that this was to be a long term project and the schedule spans a 50 year time period, with building being scheduled to begin in 2017. Several studies and long range planning are currently underway. During the discussion, Mr. Bowman noted that staff is not looking to move towards this in the near future and added that this is only a feasibility study for the project. He assured the Board that staff was not recommending moving forward with this project at this time as there is currently no need for it. Ms. Adolfson stated her firm looked at this project as a programmatic EIS and the study merely looks at the possibilities and the concepts behind the project. She went on to review the SEPA that included meetings with other agencies as well as the City of Federal Way for comments. She went on to discuss some of the issues that were addressed and noted they had been incorporated into the EIS. She added the comment period is now open and comments are due by November 17th. She then stated several facility configuration alternatives were included in the EIS and went on to review what they were. Also discussed were potential recharge sites. At the conclusion of the presentation emphasis was placed on the extended timeline for this project; staff is not proposing to begin construction for a decade. The Board then thanked Mr. Mahady and Ms. Adolfson for the presentation.

During the previous presentation, one of the people who had met with Commissioner Gibson to discuss the odor issue near the Lakota Wastewater Treatment Plant had arrived. It was the consensus of the Board to hear Citizens Comments at this time.

CITIZENS COMMENTS

Commissioner Gibson explained that he had met with some residents to get their perspective of the odor on the beach near the Lakota Wastewater Treatment Plant. He provided some photographs for the Board members to view that were taken by a City of Federal Way employee during the summer. The pictures all displayed vegetative growth along the beach in that area; in some areas the growth had reached a foot in depth. He noted this growth contains a very high organic content and is decaying and rotting. A rate payer who lives in the area in question and had come to the meeting indicated that this issue occurs every summer for approximately a two week period. However, the current growth has been present for over 120 days. She went on to describe the odor and noted it forced her and her family to stay inside. Commissioner Tweddle asked if the problem is coming from the District's treatment plant and Commissioner Gibson indicated that he couldn't tell at this point. He explained the location of the plant and the termination of its outfall pipeline in Dumas Bay, and noted the accumulation is growing in the same general area. It was noted that the Department of Ecology, the Environmental Protection Agency and King County have all been notified. The ratepayer stated she had read some articles that appeared in the Seattle Post Intelligencer describing this same scenario in another part of the Puget Sound. She added she and her neighbors were very glad when Commissioner Gibson had contacted them. She also reported that someone from the

District had checked the sewer lines in the area and completed smoke tests and dye tests. Commissioner Gibson stated there was no apparent direct connection between the District's discharge and what is going on in the area. Apparently, a similar incident occurred at the Fauntleroy Ferry terminal in West Seattle and the process to eliminate it in that area was to drag the accumulated growth away. Commissioner Gibson stated he would be happy to act as the District's contact and he intended to work with the City of Federal Way and the Department of Ecology. The Board thanked the rate payer for coming to the meeting and expressing her thoughts.

It was the consensus of the Board to address the Action Items next.

ACTION ITEMS

#94, 26th Avenue South/South 300th Street Sewer Rehabilitation – Change Order No.

1: Mr. Ross began by introducing Tim Osborne, one of the District's Project Engineers, and the person who would present this item. Mr. Osborne began by explaining the purpose of this agenda item was to ask the Board to consider Change Order #1 for this project, which included recoating five manhole interiors, a minor increase to the length of cure-in-place pipe liner as well as closing out this project by reconciling the final measured quantities actually installed in the project. More detailed information was provided in the agenda packets.

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Stewart, the Board unanimously **approved** Change Order #1 to Michels Pipe Services construction contract for the 26th Avenue South and South 300th Street Sewer Rehabilitation project in the amount of \$10,343.62, including sales tax. This action also closed out the construction contract as well as **authorized** the General Manager to execute the change order on behalf of the District. The Board thanked Mr. Osborne.

#95, Pacific Highway Water Main Relocation – Phase IV – Interlocal Agreement:

Mr. Ross presented this item as Mr. Lee was unable to attend the meeting. He explained that this phase of the project includes the area from Dash Point Road to South 312th Street. He then referred to a section of the agreement that required the Board to approve each and every progress payment requested by the City of Federal Way. He suggested that the Board consider eliminating that requirement and defer to staff for the approval of progress payments. He also added that staff intended to continue bringing change orders, etc., to consultant and public works contracts to the Board for their consideration. Mr. Pritchett interjected that staff needed to ensure that the District never pays for the cost to move its facilities within its own easements that are extinguished by rights-of-way purchases and condemnations, and went on to explain the issue. A discussion followed relative to the piping that will be installed very near to the right-of-way as well as other potential issues with this project, which included condemnation issues. During the discussion, Mr. Ross stated that this item before the Board covers the pre-design phase to first determine if any conflicts are present between the District's water and sewer

facilities and the proposed street and storm drain infrastructure. After a discussion, it was the consensus of the Board to agree with the proposal as recommended.

Upon motion of Commissioner Miller, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** the Interlocal Agreement for Pacific Highway Water Main Relocation – Phase IV project and **authorized** the General Manager to execute the agreement on behalf of the District. By this action, the Board also **approved** staff to coordinate the progress payments for these types of projects with the City of Federal Way without the need for specific Board concurrence, as proposed during the discussion.

INFORMATION ITEMS(cont.)

#3, Developer Extension Project Status Report: Wes Hill, the District's Development Engineer/Manager of Development Services, was in attendance to discuss this item. Commissioner Miller expressed his concern with the projects that remain on the listing and date back from 2000 to Winter of 2005. Mr. Hill noted that some of these projects had been completed and he would update the list. He directed them to the column that addresses the phase of the projects. He went on to explain the key and what the different colors meant. A discussion then ensued relative to the "languishing" projects. This list includes projects that have reached substantial completion but have not yet been accepted and require developer action. The discussion continued; subsequent to the discussion, the Board thanked Mr. Hill for the presentation.

COMMITTEE REPORTS/COMMISSIONER COMMENTS

Commissioner Gibson reported the Personnel Committee had met earlier in the week and added another meeting was scheduled to discuss the salary actions for the non-represented staff for 2007. Commissioner Stewart reiterated on how much he felt has been accomplished on District facilities, based on the recent tour. He added that all of the projects that Mr. Perry had coordinated is an indication of how vast this District is. Commissioner Miller reported on recent Safety Committee and EMAC meetings. He added he had met earlier in the day with Mr. Dennis and Mr. Cebon to make sure the Board would have all the relevant information to enable them to make the right decisions. He added he had also enjoyed the tour of the District's facilities very much. He then reminded the Board of the date and meeting time for the tour of the Tacoma Public Utilities' Green River Headworks facilities, which was scheduled for November 17th. At the conclusion of the report, Commissioner Tweddle suggested that if a Board member is unable to attend a committee meeting, they contact Linda Mogensen so she can contact other board members who may be interested in attending.

STAFF REPORTS

General Counsel: Mr. Pritchett reported staff has now completed the monitoring phase for the water usage at Celebration Park with receipt of 2006 consumption data. He added he had

met with Mr. Perry and Mary Young earlier in the week and planned to contact City staff to discuss the issue as there will be additional Capital Facilities Charges that are owed for the park. He stated he would keep the Board informed of this issue. He then stated that a meeting has been scheduled for November 27th with Pierce County representatives regarding the dispute over sewer service area boundaries in the south end of the District. He added that the motion will most likely be filed by that time and, if so, the meeting will take place while it is pending. He went on to discuss this issue further and reviewed the possibilities that could occur to resolve the issue. He then stated that, if the Board was interested, it is possible to install "streaming video" on the District's web site, such as back flushing the water filters that was one of the procedures the Board saw on the recent tour.

Director of Finance and Information Systems: Mr. Dennis reported the State Auditor hoped to have a 2005 audit report by the end of this year.

Engineering Manager: Mr. Ross reported that the follow-up letters for the sewer survey of the Sub area in the South Five-Mile Lake neighborhood were sent out earlier in the week and staff hoped to provide the results of that survey to the Board at the first meeting in December. He then referred to a development above Redondo that had been referred to in the past, called Mediterranean Heights. He stated the City of Des Moines was asking for a sewer easement of approximately five feet over Lakehaven's adjacent 16th Avenue Tank Site property. He went on to explain that in order to meet their code, Des Moines requires a minimum of 20 feet; they need an additional five feet beyond Lakehaven's 15-foot standard width in order to meet their code. Mr. Pritchett explained the issue with this request and went on to state how staff intends to resolve it. He noted this will be a Consent Item at the first meeting in November. Mr. Ross then stated he received a letter of resignation from Len Cornwell, who works in Development Engineering as Engineering Technician II. Mr. Cornwell's resignation is effective on the last day of November and he will be going to Sammamish Plateau Water and Sewer District. He noted that the position will be posted.

General Manager: Mr. Perry reported he placed a booklet from AMSA in each Board member's "In Basket" for them to review. He then reported that the concrete pad for the emergency generator at the Well 17/17A/17B Site is nearly completed.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 8:45 p.m.

President Tweddle

Yea

Nay

Abstain

ATTEST:

_____ Vice President Miller	_____ Yea	_____ Nay	_____ Abstain
_____ Secretary Nowicki	_____ Yea	_____ Nay	_____ Abstain
_____ Commissioner Stewart	_____ Yea	_____ Nay	_____ Abstain
_____ Commissioner Gibson	_____ Yea	_____ Nay	_____ Abstain